

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL
PROTECTION**

March 24, 2015
8:30 A.M.
CONFERENCE ROOM 325

**SENATE BILL NO. 359 SD 1
RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD
SECURITY TAX**

Chairperson Lee and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 359 SD 1. This bill proposes to increase the allocations to the Environmental Response Revolving Fund, the Energy Security Special Fund, and the Agricultural Development and Food Security Special Fund. It also would make these allocations permanent. The Department is in support of this measure provided it does not affect priorities in the Administration's budget.

There is a growing public sentiment that realizes, as an island state, Hawaii is precariously dependent on imported food and energy. The legislature responded to this movement by passing Act 73, Session Laws of Hawaii 2010. As part of that act, the Agricultural Development and Food Security Special Fund was created with the mandate to fund activities intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State. The Department has moved forward with this mandate and has funded positions and programs to build our agricultural capacity, create industry advantage, and to grow our markets; three pillars in our overall agricultural vision to move Hawaii towards a 21st century agricultural economy supported by all agencies of state government.

The Department would like to continue moving forward with its effort towards food security and views the Environmental Response, Energy, and Food Security Tax as a vital revenue source to provide the resources to realize the goal of greater food security and self-reliance. The Department is supportive of an increase in funding for the Environmental Response Revolving Fund, Energy Security Special Fund, and the



Agricultural Development and Food Security Special Fund and would defer to the respective Departments on each of those funds. In determining the amount of the Environmental Response, Energy, and Food Security Tax to allocate to the Department of Agriculture, the Department would point to the administration's bill, House Bill 892, that proposed to allocate 25 cents to the Agricultural Development and Food Security Special Fund.

Thank you for the opportunity to testify on this measure.

DAVID IGE
GOVERNOR OF HAWAII

SHAN TSUTSUI
LIEUTENANT GOVERNOR



HAWAII INVASIVE SPECIES COUNCIL

1151 PUNCHBOWL ST, #325
HONOLULU, HAWAII 96813

VOTING MEMBERS

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HAWAII DEPARTMENT OF AGRICULTURE

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UNIVERSITY OF HAWAII

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OFFICE OF PLANNING, DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT &
TOURISM

DAVID RODRIGUEZ
DEPARTMENT OF TRANSPORTATION

**Testimony of the
HAWAII INVASIVE SPECIES COUNCIL**

**Before the House Committee on
ENERGY AND ENVIRONMENTAL PROTECTION**

**Tuesday, March 24, 2015
8:30 AM
Hawaii State Capitol, Room 325**

**In consideration of
SENATE BILL 359 SD1
RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD
SECURITY TAX**

Senate Bill 359 Senate Draft 1 modifies the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund. **The Hawaii Invasive Species Council (HISC) supports this measure and offers the following comments.**

The original draft of this measure would increase the proportion of tax revenues being deposited into the Agricultural Development and Food Security Special Fund at the Hawaii Department of Agriculture. These funds support inspection, quarantine, diagnostic, and other critical services by the Hawaii Department of Agriculture (HDOA). As noted in the Senate Committee Report on the original draft of this measure, Hawaii is precariously dependent on imported food and the inspection services provided through these revenues are critical to the security of the State. The original draft of this measure would also increase the proportion of revenues from the environmental response, energy, and food security tax utilized for response to environmental disasters by the Department of Health, and for clean energy initiatives under the Department of Business, Economic Development, and Tourism. The HISC strongly supports increasing the proportion of tax revenues going to each of these departments for food security, environmental response, and clean energy initiatives.

The HISC appreciates the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR OF HAWAII



Telephone (808) 586-4185
Fax (808) 586-4186
email: environmental.council@doh.hawaii.gov

STATE OF HAWAII
ENVIRONMENTAL COUNCIL
235 SOUTH BERETANIA STREET, SUITE 702
HONOLULU, HAWAII 96813

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TESTIMONY IN SUPPORT OF SB359 SD1

House Committee on Energy & Environmental Protection,
Chairperson Lee and Members of the Committee:
March 24, 2015 - 8:30am Hearing

Testimony by: Mark Ambler, Chairperson, State of Hawaii Environmental Council

The Environmental Council (EC) is a citizen board appointed by the Governor. The council is charged by statute to monitor the progress of state, county, and federal agencies in achieving the State's environmental goals and policies.

The public we represent includes the 1.42 million residents of Hawaii¹ of which over 700 thousand are registered voters². The public we represent also drive the economy which provides over \$6.5 billion in tax collections³.

Last year we conducted a set of informational hearings. We solicited the public, farmers, and regulators on their opinions of the current regulatory structure and what needs to be accomplished to identify and target environmental hazards. We also reviewed existing regulations, studied more than 100 publications, and reviewed 600 scientific studies to develop a draft set of recommendations. We then solicited input from stakeholders to finalize the recommendations.

Several of our recommendations included Legislative increases in funding to support programs at the Hawaii Department of Health and Department of Agriculture. We found these agencies lacking the fiscal capability to take on the additional scope of work associated with protecting Hawaii's people and environment.

We believe this bill will help to provide the resources necessary to fund essential programs that are at risk of loss and so **we SUPPORT SB359 SD1.**

¹ <http://www.census.gov/popest/data/state/totals/2014/index.html>

² <http://hawaii.gov/elections/factsheets/fsvs505.pdf>

³ <http://files.hawaii.gov/tax/stats/stats/annual/14annrpt.pdf>



STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

**Testimony in SUPPORT of S.B. 359
Relating to the Environmental Response, Energy, and Food Security Tax**

REPRESENTATIVE CHRIS LEE, CHAIR
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Hearing Date: **March 24, 2015**
8:30 a.m.

Room Number: 325

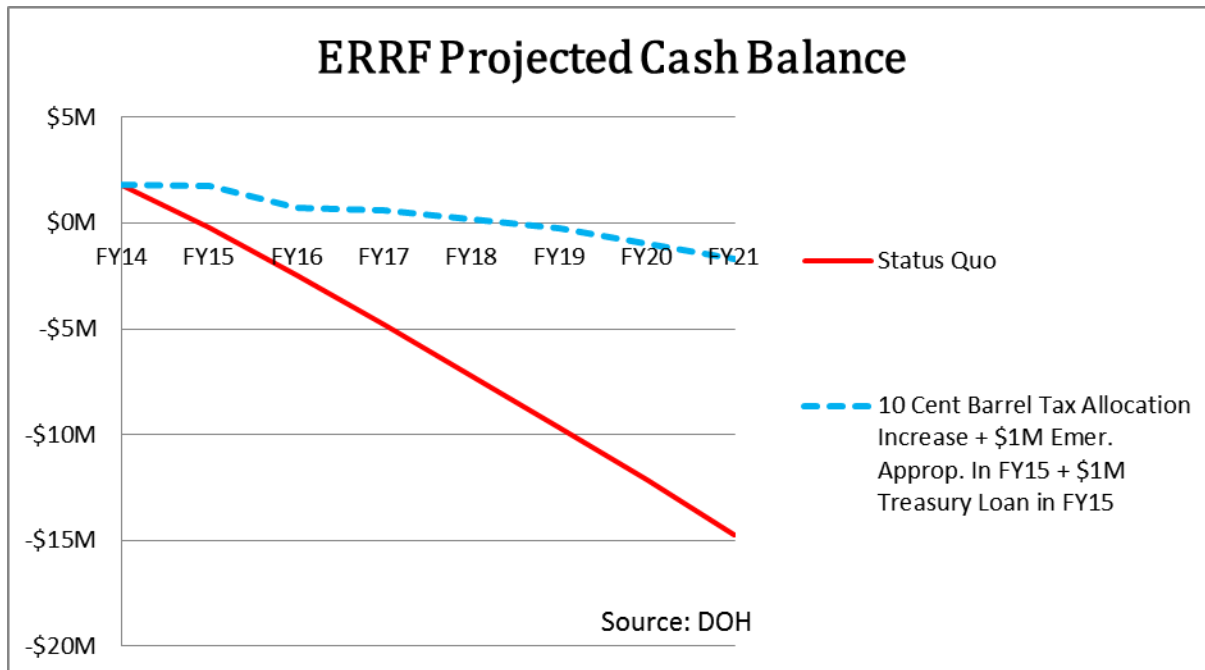
1 **Fiscal Implications:** May reduce the amount of barrel tax money that is diverted into the
2 general fund by approximately \$13,200,000 per year.

3 **Department Testimony:** The Department **SUPPORTS** this measure, which requests a 15 cent
4 allocation from the Environmental Response, Energy, and Food Security Tax ("Barrel Tax") for
5 the Department's Environmental Response Revolving Fund (ERRF). The ERRF currently
6 receives 5 cents of the \$1.05 Barrel Tax that is levied on every barrel of oil imported into
7 Hawaii. However, the ERRF's Barrel Tax allocation is insufficient to sustain the 41 positions
8 (31 filled positions) that depend on the ERRF for funding. These include positions that respond
9 to oil spills and hazardous material releases, as well as positions that work on environmental
10 issues, like State water quality monitoring, contaminated site remediation, and management of
11 solid and hazardous waste.

12 While Hawaii's transition to renewable energy is undoubtedly of great benefit to the State, the
13 State's reduced consumption of oil means that ERRF revenues have steadily declined by ~5%
14 per year and the Fund is on a path to drop below zero balance before the end of this fiscal year.
15 The Department has done a number of things to try to sustain the ERRF during this time of
16 financial crisis, including instituting a hiring freeze and unencumbering contracts to improve
17 cash flow, but this has only succeeded in extending the time until the ERRF reaches zero balance
18 by a few months. Without adequate ERRF capitalization, the Department will need to begin the
19 process of laying off program staff as early as April 2015.

20 In order to attempt to remedy the ERRF's financial issues, the Department has also requested a
21 one-time Emergency Appropriation in the Governor's Package (S.B. 1118, S.D. 1), which would
22 help it to meet its obligations and cover payroll through the end of FY 2015. The Department
23 has also recently received a \$900,000 loan from the State Treasury.

The Department anticipates that it would repay this loan in FY 2016. The Emergency Appropriation, Treasury Loan, and 10 cent Barrel Tax allocation increase would sustain the ERRF until FY 2018 (see graph below), and would help ensure the Department's ongoing ability to support the 41 ERRF-funded positions while it works on finding a more viable, long-term source of funding.



The Department of Health defers to the Department of Agriculture and the Department of Business, Economic Development, and Tourism regarding the Barrel Tax allocation increases for their respective special funds.

Thank you for the opportunity to provide testimony on this important measure.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL
PROTECTION
ON
SENATE BILL NO. 359, S.D. 1

March 24, 2015

RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD
SECURITY TAX

Senate Bill (S.B.) No. 359 increases, by an unspecified amount, the amount of the environmental response, energy, and food security tax (also known as the barrel tax) collections to be deposited into the Environmental Response Revolving Fund (ERRF), Energy Security Special Fund (ESSF), and the Agricultural Development and Food Security Special Fund (ADFSSF). This measure also makes the following permanent: 1) renaming the environmental response tax to the environmental response, energy, and food security tax; 2) establishment of the ADFSSF; 3) amendments to the ERRF and ESSF; and 4) allocations of the environmental response, energy, and food security tax to the ERRF, ESSF, Energy Systems Development Special Fund (ESDSF), and ADFSSF.

The Department of Budget and Finance (B&F) has serious concerns with increasing the current distribution of the barrel tax beyond what is mandated in Section 243-3.5, Hawaii Revised Statutes. The current general fund financial plan does not take into account any additional distributions of the barrel tax away from the general fund.

Below is a breakdown of the current and proposed barrel tax distribution.

<u>Fund</u>	Distribution of Barrel Tax	
	<u>Current*</u>	<u>Proposed</u>
ERRF	\$.05	\$ unspecified
ESSF	\$.15	\$ unspecified
ESDSF	\$.10	\$.10
ADFSSF	\$.15	\$ unspecified
General Fund	<u>\$.60</u>	<u>\$.60</u>
Total Distribution	\$1.05	\$1.05

*Current barrel tax is \$1.05.

Due to the unspecified allocations of the ERRF, ESSF and ADFSSF, it is difficult to estimate the loss to the general fund.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 3:17 PM
To: EEPtestimony
Cc: sharonmi@hawaii.edu
Subject: Submitted testimony for SB359 on Mar 24, 2015 08:30AM
Attachments: TESTIMONY-SB359 SD1.EEP.3.24.2015.pdf

SB359

Submitted on: 3/23/2015

Testimony for EEP on Mar 24, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Sharon Moriwaki	Hawaii Energy Policy Forum	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Testimony of Sharon Moriwaki
Co-Chair, Hawaii Energy Policy Forum

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, HI Inst. for Public Affairs
Joseph Boivin, Hawai'i Gas
Warren Bollmeier, HI Renewable Energy Alliance
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Leslie Cole-Brooks, HI Solar Energy Assn
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH HI Natural Energy Institute
Jay Fidell, ThinkTech HI, Inc.
Carl Freedman, Haiku Design & Analysis
Sen. Mike Gabbard, HI State Senate
Dan Giovanni, Hawaiian Electric Company
Mark Glick, State Energy Office, DBEDT
Justin Gruenstein, City & Co. of Honolulu
Dale Hahn, Ofc of US Sen Brian Schatz
Michael Hamnett, Research Corp. of the UH
Randy Iwase, Public Utilities Commission
Rachel James, Ofc of US Rep. Tulsi Gabbard
Jim Kelly, Kaula'i Island Utility Cooperative
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Rep Chris Lee, HI House of Representatives
Gladys Marrone, Building Industry Assn of HI
Doug McLeod, Maui County
Stephen Meder, UH Facilities and Planning
Sharon Moriwaki, UH So. Sci. Public Policy Ctr
Ron Nelson, U.S. Defense Energy Support Center
Tim O'Connell, U.S. Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Darren Pai, Hawaiian Electric Company
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, HI Government Employees Assn
Rick Rocheleau, UH HI Natural Energy Institute
Will Rolston, Hawai'i County
Riley Saito, SunPower Systems Corp
Joelle Simonpietri, U.S. Pacific Com. Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kaula'i County
Lance Tanaka, Hawaii Independent Energy
Maria Tome, Public Utilities Commission
Alan Yamamoto, Ofc of Sen Mazie Hirono
Ah Linn Yamane, HI Government Employees Assn

Before the
House Committee on Energy and Environmental Protection
Tuesday, March 24, 2015 at 8:30am in Conference Room 325

IN SUPPORT OF SB359 SD1 Relating to the Environmental Response, Energy, and Food Security Tax

Chair Lee, Vice Chair Lowen, and Members of the Committee,

I am Sharon Moriwaki, co-chair of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of over 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

SB359 SD1 proposes amendments to **Section 243-3.5, Hawaii Revised Statutes** (the environmental response, energy, and food security tax ("EREFS tax") collected on petroleum products) to: (1) increase the allocations to the environmental response revolving fund ("environmental fund"), the energy security special fund ("energy fund"), and the agricultural development and food security special fund ("agriculture fund"); and (2) make the agriculture fund and allocations of the EREFS tax permanent.

In passing Act 73, SLH 2010, Legislature found "that it is in the best interests of Hawaii's people to build the capacity we need to become self-sufficient in our energy and food needs and to protect the health and function of our environment." It also found "that undertaking the important task of energy and food security requires a long-term commitment and the investment of substantial financial resources."

While the legislature unambiguously declared the purposes for imposing the tax, most of the money collected has not gone to fulfill them. Sixty cents of every \$1.05 collected has gone to the State's general fund.

From leaking fuel tanks and crop pests, to the explosive adoption of rooftop PV systems, recent events have highlighted the critical need to invest in the protection of our environment and security and sustainability of our food and energy resources. We must do all we can to get things right.

Current EREFS tax allocations have helped us make big strides, including the ongoing operation of some offices, and solution-focused projects are necessary to make real progress. This bill would provide additional investment to support projects that are needed to develop, demonstrate and help bring to market technologies and initiatives that will help Hawaii achieve its clean energy goals.

Based on the foregoing, the Forum supports SB359 SD1 and respectfully urges passage of the bill. The Forum also requests that the EREFS revenues be allocated as proposed in the original SB359.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their organizations.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

WRITTEN TESTIMONY ONLY

Submitted to the

House Committee on Energy and Environmental Protection

Tuesday, March 24, 2015 at 8:30 a.m.

By

Robert Bley-Vroman, Chancellor

And

Richard Rocheleau, Director

Hawai'i Natural Energy Institute

School of Ocean and Earth Science and Technology

University of Hawai'i at Mānoa

SB 359 SD1 – RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX

Chair Lee, Vice Chair Lowen, and members of the committee:

My name is Richard Rocheleau, Director of the Hawai'i Natural Energy Institute (HNEI) at the University of Hawai'i at Mānoa. HNEI supports using the entire barrel tax for the purposes for which it was enacted - namely to "build the capacity we need to become self-sufficient in our energy and food needs and to protect the health and function of our environment."

The Barrel Tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. In enacting the barrel tax legislation, the legislature found that: "undertaking the important task of energy and food security requires a long-term commitment and the investment of substantial financial resources." Although we are not asking for, nor would this bill provide HNEI, any additional barrel tax funding, we strongly believe that a sustained commitment is necessary to achieve the State's goals with regard to food, energy, and the environment.

HNEI knows first-hand that the efforts needed to reduce our dependence on fossil fuels are complex. Capital investments today will dictate the shape of our energy system for decades to come.

Increasing the barrel tax funding to DBEDT, the Department of Agriculture, and the Department of Health will affirm the State's long term commitment necessary to help Hawai'i attain food and energy security and sustainability.

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843



March 23, 2015

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Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer

The Honorable Chris Lee, Chair
and Members
Committee on Energy and Environmental Protection
House of Representatives
Hawaii State Capitol, Room 325
Honolulu, Hawaii 96813

Dear Chair and Members:

Subject: Senate Bill 359 SD 1: Relating to the Environmental Response, Energy,
and Food Security Tax

We strongly support Senate Bill 359 SD1. This measure will provide the state greater resources to insure our environment and groundwater aquifers are protected from impacts such as leaking underground fuel storage tanks.

The Board of Water Supply is very concerned about leaking underground fuel tank releases on Oahu's irreplaceable groundwater aquifer. Studies on the Red Hill Fuel Storage Facility indicate past releases have already contaminated the groundwater and soil underneath the Facility with petroleum hydrocarbons. Providing the state with greater resources to regulate and manage situations like Red Hill now is prevention that will cost significantly less than the cost to clean up large scale contamination to the aquifer and environment after it occurs.

We support every effort to address this situation today to save our most precious resource – the groundwater aquifer – now and into the future.

Thank you for the opportunity to testify.

Very truly yours,

for ERNEST Y.W. LAU, P.E.
Manager and Chief Engineer



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

March 24, 2015

HEARING BEFORE THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

TESTIMONY ON SB 359 SD 1
RELATING TO ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY
TAX

Room 325
8:30 AM

Aloha Chair Lee, Vice Chair Lowen, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB supports SB 359 SD 1, which increases the amount of the environmental response, energy, and food security tax (barrel tax) collections to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund. It also makes the barrel tax permanent.

The barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. As an organization opposed to new taxes, HFB took an unusual step by supporting the barrel tax. It was a desperate move by the industry to secure stable funding for Hawaii's agricultural industry.

The barrel tax was originally intended to increase local capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self-sufficiency and sustainability. During the economic downturn, proceeds from this fund were reallocated to balance the budget. We understand that some of the proceeds continued to benefit agriculture.

As our economy rebounds, it is time to restore the original intent of the measure to focus to import replacements and to meet new needs of agriculture. We respectfully request your strong support of this measure along with consideration of reallocation of funds.



**Testimony of Hawai'i Green Growth in Support of SB359 SD1
Relating to the Environmental Response, Energy and Food Security Tax**

House Committee on Energy and Environmental Protection

24 March 2015, 8:30am, Room 325

Audrey Newman
Hawai'i Green Growth
P.O. Box 535 Ho'olehua, Hawai'i 96729

Hawai'i Green Growth is a voluntary partnership of more than 60 state, county, federal, business, and non-governmental leaders from energy, food production, natural resources, waste reduction, planning, green jobs, and other sectors who have come together to support a shared statewide commitment and tangible actions toward sustainability and a model green economy.

Aloha Chair Lee, Vice Chair Lowen, and Members of the Committee,

Hawai'i Green Growth (HGG) strongly supports SB359 SD1 which increases the Environmental Response, Energy and Food Security Tax allocations for strategic, long-term funding to support critical environmental preparedness and response and solid waste reduction (\$0.15), clean energy transformation (\$0.40), food security programs (\$0.40), and Hawai'i Natural Energy Institute (\$0.10).

The Environmental Response, Energy and Food Security Tax is critical to maintain basic and existing functions of the Department of Health's emergency environmental response programs. It also provides important, ongoing support for the development and implementation of actions that will achieve the Hawai'i Clean Energy Initiative's goal to reduce the State's dependence on imported fossil fuels by 70% in 2030, and the Department of Agriculture programs aimed to at least double local food production by 2030.

SB539 will help advance action on the *Aloha+ Challenge: A Culture of Sustainability – He Nohona 'Ae'olia*, a joint leadership commitment to achieve six sustainability targets by 2030 in the areas of clean energy, local food production, natural resource management, solid waste reduction, smart growth and climate resilience, green jobs and education. The *Aloha+ Challenge* was unanimously endorsed by the 2014 Legislature (SCR 69) and signed by Hawai'i's Governor, Mayors and Office of Hawaiian Affairs. It was also internationally recognized as a model of integrated sustainability at the UN Conference on Small Island Developing States in Samoa.

We ask you to support this bill to make critical investments that will allow these sectors to achieve their goals in increasing Hawai'i's self-sufficiency and provide reliable funding to ensure Hawai'i is ready to respond to environmental emergencies.

Mahalo,

A handwritten signature in black ink that reads "Audrey Newman". The signature is written in a cursive, flowing style.

Audrey Newman

Senior Advisor, Hawai'i Green Growth (HGG)

Bringing leaders together to achieve sustainability in Hawai'i & be a model for a green economy

<http://www.hawaiigreengrowth.org>

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 359 SD1 Relating to the Environmental Response,
Energy, and Food Security Tax
House Committee on Energy and Environmental Protection
Tuesday, March 24, 2015, 8:30AM, Room 325

For more than 35 years, The Nature Conservancy of Hawai'i has been working closely with government agencies, local businesses, private landowners, non-profit partners, and interested communities across the state to preserve the lands and waters upon which all life in these islands depends. The Conservancy is a private non-profit conservation organization that has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i, and support 19 coastal communities seeking to co-manage marine resources in partnership with the State of Hawai'i.

The Nature Conservancy supports S.B. 359 SD1 and its provisions to redistribute the barrel tax revenue and ensure the permanence of barrel tax allocations. We believe this is effective policy for investing in clean energy and local agriculture initiatives that reduce our dependence on imported fossil fuel and imported food, and to enhance the State's oil spill response capacity.

Climate change caused by burning fossil fuels is an imminent and unprecedented threat to every person in Hawai'i. It is our responsibility to do what we can and what is necessary reduce our own carbon emissions, however small on a global scale, to contribute to the worldwide effort needed to mitigate the growing effects of climate change.

Even if we drastically reduce CO2 emissions now, however, we will still feel certain effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms that can increase runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect watershed and agricultural health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. Protecting and enhancing the health and function of our forested watersheds as proposed by the Department of Land and Natural Resources is one critically important initiative. Likewise, investing in local energy and agriculture security are essential components of building self-reliance and resilience here in the middle of the Pacific Ocean.

Using the barrel tax revenue for its originally intended purposes is a wise investment in our future. We urge your support.

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Email: communications@ulupono.com

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, March 24, 2015 — 8:30 a.m. — Room 325

Ulupono Initiative Supports Some Portions of SB 359 SD 1, Relating to Environmental Response, Energy, and Food Security Tax

Dear Chair Lee, Vice Chair Lowen, and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase clean, renewable energy, and waste reduction. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and environmental stewardship work hand in hand.

Ulupono supports some portions of SB 359 SD 1, which will redistribute the Environmental Response, Energy and Food Security Tax on barrels of petroleum products to restore the original intent of lawmakers in funding vital sustainability measures to help make our community more self-sufficient. Furthermore, this measure would make the barrel tax permanent. **While Ulupono supports the intent, however, we prefer if this tax was not made permanent but would sunset at a distant future date.**

This tax was designed to support critical investments in clean energy, local agricultural production, and environmental response, reduce the State's dependence on imported fossil fuels and food products, and support environmental activities and programs. The tax represents a balanced approach to public policy where greater fossil fuel consumption would create more funding for these initiatives. Meanwhile, as fossil fuel use is reduced, the money collected from the residents of Hawai'i is also reduced. During difficult economic times, the fund was intended to be diverted temporarily toward the general fund. However, funding has yet to be restored to its original purpose, while not aligning the incentives of the barrel tax with its environmental restoration purposes.

This bill also makes the barrel tax permanent. Ulupono does not want to see the barrel tax be permanent based on the principle that special funds that were designed for a specific intent should sunset when the policy for which they were raised has been achieved. We would prefer to see the tax remain as long as imported fossil fuels continue to comprise more than 50 percent of our fossil fuel mix. **Instead, we believe adding a tax on other forms of fossil fuel such as natural gas and coal should be the primary vehicle for**

Investing in a Sustainable Hawai'i



increasing more revenue via the barrel tax.

We believe that by working together, we can help produce more local food, reduce our dependence on fossil fuels, and strengthen our community. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Reallocate environmental response, energy, and food security tax

BILL NUMBER: SB 359, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Initially, the 5 cent per barrel environmental response tax was established to address oil spills in state waters. It was temporarily increased to \$1.05, much of which was earmarked to numerous special funds, and was scheduled to sunset on 6/30/15. Just last year, the sunset date of the tax was extended to 6/30/30 and now it is proposed that the tax be made permanent. The tax has taken on a life of its own and lacks transparency, and the special funds it feeds do not come under close scrutiny by either lawmakers or the public. The barrel tax should be repealed and all programs funded out of the environmental response tax should be funded through the general fund.

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the environmental response revolving fund from 5 cents to ___ cents, increase the amount deposited into the energy security special fund from 15 cents to ___ cents, and increase the amount deposited into the agricultural development and food security fund from 15 cents to ___ cents.

Amends Act 107, SLH, 2014, to make the tax permanent by repealing the 6/30/30 sunset date.

EFFECTIVE DATE: July 1, 2053

STAFF COMMENTS: The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The collections of the tax were deposited into the environmental response revolving fund until such time the balance in the fund reached \$7 million at which time the imposition of tax was suspended until the balance in the fund declined to less than \$3 million, at which time the imposition would be reinstated.

The legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 cents of the tax shall be deposited into a newly established environmental response revolving fund; 15 cents shall be deposited into a newly established energy security special fund, 10 cents shall be deposited into a newly established energy systems development special fund; 15 cents shall be deposited into the newly established agricultural development and food security special fund; and the residual of 60 cents shall be deposited into the general fund between 7/1/10 and 6/30/15.

Just last year, Act 107, SLH 2014, extended the sunset date of the \$1.05 environmental response, energy, and food security tax from 6/30/15 to 6/30/30.

This measure would increase the amount deposited into the various funds and make the allocations to these special funds which were scheduled to sunset on 6/30/30, permanent.

The environmental response tax was initially adopted for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state. Now that the fund has become a cash cow, lawmakers have placed other responsibilities on the fund, including environmental protection, food security, and natural resource protection programs, energy conservation and alternative energy development, air quality, global warming, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department of health.

The basic problem with the barrel tax is that it lacks transparency, and because the funds are earmarked they do not come under close scrutiny by either lawmakers or the public. Rather than perpetuating the problems of the barrel tax, it should be repealed and all programs that are funded out of the environmental response fund should be funded through the general fund. At least program managers would then have to justify their need for these funds. If general funds are insufficient to underwrite all the essential programs and programs such as those funded through the barrel tax, then lawmakers need to justify any increase in taxes which underwrite the general fund or lawmakers will be forced to set priorities for those precious general funds. Currently, lawmakers are able to side step that difficult task by creating these hidden taxes and earmarked funds like the barrel tax. By continuing to special fund these programs, it makes a statement that such programs are not a high priority for state government. This sort of proliferation of public programs needs to be checked as it appears to be growing out of hand and at the expense of the taxpayer.

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1110 University Avenue, Suite 402

Honolulu, Hawaii 96826

Tel: (808) 371-1475

www.REACHhawaii.org

Testimony of ERIK KVAM

President of Renewable Energy Action Coalition of Hawaii

e-mail: Erik.Kvam@REACHhawaii.org

In SUPPORT of SB 359 SD1 RELATING TO ENERGY

**Before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Tuesday, March 24, 2015 8:30 a.m.

Aloha Chair Lee, Vice-Chair Lowen and members of the Committee.

My name is Erik Kvam. I am the President of Renewable Energy Action Coalition of Hawaii (REACH). REACH is a trade association whose vision is a Hawaiian energy economy based 100% on renewable sources indigenous to Hawaii.

REACH is in **SUPPORT** of SB 359 SD1.

Right now, about 95% of Hawaii's energy is imported through an oil supply line that stretches an average distance of 7000 miles to Southeast Asia, the Middle East, Africa, Argentina and Russia. As imported fuels like oil get scarcer and more expensive, sooner or later these imported fuels will stop flowing to Hawaii. When imported fuels stop flowing to Hawaii, we necessarily will be at 100% renewable energy.

To plan for Hawaii's 100% renewable energy future, Hawaii's public needs the services of energy planning and development agencies of the State government – primarily the Hawaii Natural Energy Institute (HNEI) and the Hawaii State Energy Office (HSEO).

Since 2010, many energy planning and development activities of HNEI and HSEO have been funded with revenues from a tax on each barrel of petroleum product (“Barrel Tax”).

REACH **SUPPORTS** SB 359 SD1 – increasing the proportionate amount of the Barrel Tax allocated to the Hawaii’s state agencies such as HNEI and HSEO -- to fund the energy planning and development activities needed to achieve 100% renewable energy for Hawaii.

Thank you for providing this opportunity to testify.

lowen2-Thomas

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 22, 2015 9:37 PM
To: EEPtestimony
Cc: amybrinker@mac.com
Subject: *Submitted testimony for SB359 on Mar 24, 2015 08:30AM*

SB359

Submitted on: 3/22/2015

Testimony for EEP on Mar 24, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Brinker	Individual	Support	No

Comments:

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